BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

RESOLUTION E-4546

FILED
November 8, 2012

CLEAN COALITION COMMENTS ON RESOLUTION E-4546

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October 25, 2012

CLEAN COALITION COMMENTS

The Clean Coalition respectfully submits these comments on draft Resolution E-4546.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to cost-effective local renewable energy that strengthens local economies, minimizes environmental impacts, and enhances energy security.

To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) connected to the distribution grid and serving local load. The Clean Coalition drives policy innovation to remove major barriers to the procurement, interconnection, and financing of WDG projects and supports complementary Intelligent Grid (IG) market solutions such as demand response, energy storage, forecasting, and communications. The Clean Coalition is active in numerous proceedings before the California Public Utilities Commission and other state and federal agencies throughout the United States in addition to work in the design and implementation of WDG and IG programs for local utilities and governments.

Summary:

- The Clean Coalition supports the Large-Scale Solar Association and Recurrent Energy's comments on the draft resolution.
- The Clean Coalition supports the principle of limiting ratepayer exposure to network upgrade costs because wholesale DG should, by definition, take advantage of existing distribution and transmission capacity
- However, we support deferring any cost cap for network upgrades until the time that evidence of a real problem is presented, per the

Commission's previous directions for amending the RAM program, which require evidence prior to program modifications due to the greater unintended costs and consequences of SCE's proposal

- We agree with LSA and Recurrent that the buy-down option for network upgrades that exceed the cost cap is problematic, further supporting our first point
- If the Commission decides to support the termination right SCE seeks, the termination right should expire automatically after 30 days from the IA being signed by both parties – with no allowance for termination after "any interconnection study" is received by seller, per SCE's overly broad current language
- Moreover, the seller should have 60 days to remedy excess network upgrade costs through meetings with the PTO, correcting any errors, etc. The utility should then have 30 days to review before exercising its termination right. This would require that the utility not be able to exercise its termination right until 90 days has expired from the time seller is notified of excess network upgrade costs
- The numbering in SCE's proposed PPA changes should be corrected with respect to the seller's buy down right

I. Discussion

A. The Commission must require evidence of a problem before modifying the RAM program

The Clean Coalition supports the intent of SCE's proposal to protect ratepayers from increased network upgrade costs in the RAM program, due to our long-standing concern that Wholesale DG (WDG) projects should utilize the existing transmission and distribution grid as much as possible. We also supported the

cost cap proposed levels (lesser of $100,000 or 25% increase in cost) in previous comments.

However, we agree with the Large-Scale Solar Association (LSA) and Recurrent Energy that SCE's proposed solution is too restrictive, is highly uncertain in many ways, and lacks the evidence required by the Commission's own clear precedent for making changes to the RAM program. We were reminded of this evidentiary standard by LSA and Recurrent Energy and, combined with other problematic aspects of the currently proposed changes, recommend at this time the amendments detailed below.

A recurring theme in policy debates at the Commission in recent years is the need for data/evidence to make informed policy choices – and the too-frequent lack of good data/evidence. In this circumstance, LSA and Recurrent correctly point out clear precedent in the RAM decisions and resolutions that requires changes to the RAM program be made only based on evidence. SCE has failed to provide any evidence that excessive network upgrade costs have or will be a problem for any RAM projects, or that the risk of unbounded ratepayer exposure is significant. While the Commission appropriately believes that such unbounded exposure is unacceptable, the Commission has multiple goals to balance and the cost of remedies must be commensurate with the risk. As proposed, the remedy unduly burdens all projects with new contractual uncertainty that increases risk to financing entities, resulting in higher project costs, which are ultimately born by ratepayers.[1] While the ratepayer risk the Commission is seeking to avoid is not supported by evidence, the impact of the remedy on energy costs paid by ratepayers is virtually certain.

[1] If the resulting impact on RAM bids increases the offered/accepted cost of energy (the PPA rate) by just 0.1¢/kWh, ratepayers would pay and additional $46,000 over a 20 year contract for each MW, the equivalent of a $460,000 unanticipated cost on every 10 MW of new capacity (Assuming 2300 MWh/MW capacity per year for 20 years = 46,000 MWh).

If RAM is to be successful, the Commission must be very diligent to not impose additional unwarranted hurdles. The risks far outweigh the alleged benefits with respect to the issue of excessive network upgrade costs. Accordingly, the prudent course for the Commission is to defer any changes until evidence is presented by SCE or other IOUs that there is a real problem, and weigh this risk against the cost.

We fear that SCE's cost cap and buy-down right, as proposed, will considerably muddy the waters with respect to certainty and transparency.

B. The buy-down option is too uncertain to be a reliable mitigation option

The Clean Coalition previously felt that the proposed network upgrade cost cap would be significantly mitigated by the proposed buy-down option in SCE's revised PPA section 2.04(a)(i) and (iii). However, as LSA and Recurrent highlight, the proposed buy down right is very problematic in light of the qualifications to that buy-down right in section 2.04(a)(i). Specifically, that section states, in pertinent part:

> … if Seller elects to exercise its right to pay for any Excess Network Upgrade Costs, but FERC, CAISO, or any Transmission Provider, as applicable, rejects Seller's interconnection agreement, in whole or in part, or modifies Seller's interconnection agreement, in any such case, in a manner that would make Seller unable to comply with Seller's obligation pursuant to Section 2.04(a)(iii)(B) and a Notice of termination is given on or before the date that is ninety (90) days after such rejection or modification by FERC, CAISO, or any Transmission Provider.

(On a drafting note, section 2.04(a)(i) refers to section 2.04(a)(iii)(B), which doesn't exist, but appears to be referring to the buy down right as described in section 2.04(a)(iii)(2)(B).)

The Clean Coalition agrees with LSA and Recurrent that the implications of this language are unclear, and the very open-ended language regarding "FERC, CAISO, or any Transmission Provider" being able to reject the interconnection agreement or to modify the agreement in such a way as to potentially preclude seller's buy-down right, makes the buy-down option no longer a reliable mitigation option against a buyer exercising its termination right.

C. The termination right should expire at thirty days from signing of the IA by both parties

The termination right as proposed by SCE is open-ended because it may be triggered by "any interconnection study" or the signing of the IA. Interconnection studies can be received after an IA is signed, through re-studies for example, that are triggered by dropouts, so the certainty required for developers from the signing of the IA seems to be entirely mooted by this overly broad language. We previously supported the buy-down right as a mitigation option, but SCE's proposed language is far too broad. Accordingly, we recommend that the termination right expire at thirty days from signing of the IA by both parties

D. Sellers should be provided 60 days to remedy excess network upgrade costs, with an additional 30 days for utility review

If the Commission insists on including the proposed network upgrade cost cap and buy down right, at the least the Commission should provide sellers 60 days to remedy the Excess Network Upgrade Costs, as Recurrent argues (pp. 4-5):

> We recommend a more prudent and commercially reasonable process. The interconnection customer would be afforded 60 days after notifying the utility that network upgrade cost estimates exceed the cost threshold,

to review study assumptions, meet and confer with the responsible entities, and correct any demonstrable errors. The utility could have 30 additional days to assess the consultant's findings and make a final determination, and any termination at that point would trigger the Seller's buy-down right.

Submitted October 25, 2012

/s/

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VERIFICATION

I am an attorney for the Clean Coalition and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing pleading are true.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 24th day of October, 2012, at Santa Barbara, California.

Tam Hunt

Clean Coalition